

THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Federal Agencies Still Need To Develop Greater Computer Audit Capabilities

As the Federal Government becomes increasingly dependent on computers it is even more important for auditors to ensure that

- computer system controls are designed and operating properly; and
- computer equipment, programs, personnel, and other resources are used efficiently, effectively, and economically.

Past GAO reports recommended that audit organizations do more computer auditing. In addition, the Comptroller General of the United States has issued audit standards which outline government auditors' responsibilities to audit computer-based systems.

Some audit organizations have conducted effective computer audits. However, many Federal audit organizations have neither recognized their computer audit responsibilities nor developed the skills to meet them. This report recommends actions every Federal agency should take to define, develop, and maintain appropriate computer audit capabilities.



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C o n t e n t s

| | | <u>Page</u> |
|---------|--|-------------|
| DIGEST | | i |
| CHAPTER | | |
| 1 | INTRODUCTION | 1 |
| | How has the computer affected auditors' responsibilities? | 1 |
| | GAO reports recommend computer audit involvement | 2 |
| | GAO provides audit standards and guidance for Federal computer audits | 3 |
| | Objective, scope, and methodology | 5 |
| 2 | MANY FEDERAL AUDIT ORGANIZATIONS HAVE NOT MET COMPUTER AUDIT RESPONSIBILITIES | 7 |
| | Some have not considered total agency computer operations in providing audit coverage | 7 |
| | Agency compliance with GAO computer audit standards is limited | 8 |
| | Management commitment is needed to provide computer audit capabilities | 13 |
| | Staffing restrictions may call for increased computer training for existing staff | 14 |
| | Formal training programs are needed to provide computer audit skills | 15 |
| 3 | GROWING CONCERN FOR PROPER COMPUTER-RELATED CONTROLS REQUIRES GREATER EMPHASIS BY FEDERAL INTERNAL AUDIT ORGANIZATIONS | 17 |
| | Continuing computer crime demands proper computer-related controls | 17 |
| | Congress supports adequate internal control systems | 18 |
| | Public accounting firms emphasize evaluation of computer-related controls | 19 |
| | Federal audit policy does not emphasize computer-related controls | 19 |

| CHAPTER | | <u>Page</u> |
|----------|---|-------------|
| 4 | CONCLUSIONS AND RECOMMENDATIONS | 21 |
| | Conclusions | 21 |
| | Recommendations | 22 |
| | Agency comments | 23 |
| APPENDIX | | |
| I | Inspector general and internal audit organizations contacted during review | 25 |
| II | Number of computer systems and related central processing units for agencies contacted during this review at September 30, 1980 | 26 |
| III | Additional inspector general and internal audit organizations providing information for this review | 27 |
| IV | Responses of audit organizations to selected items of review questionnaire | 28 |
| V | Summary of additional GAO audit standards for auditing computer-based systems | 32 |
| VI | Agency responses | 41 |
| | Office of Management and Budget | 41 |
| | Department of Agriculture | 43 |
| | Department of Health and Human Services | 45 |
| | Department of Education | 49 |
| | Department of Housing and Urban Development | 51 |
| | Department of Labor | 53 |
| | Department of Transportation | 57 |
| | General Services Administration | 61 |
| | National Aeronautics and Space Administration | 62 |
| | Veterans Administration | 64 |
| | Department of the Treasury | 67 |
| | Comptroller of the Currency | 69 |
| | Department of Energy | 70 |
| | Department of Commerce | 72 |
| | Federal Home Loan Bank Board | 75 |
| | U.S. Postal Service | 77 |

ABBREVIATIONS

| | |
|-----|---------------------------|
| AAA | Army Audit Agency |
| ADP | automatic data processing |

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

FEDERAL AGENCIES STILL NEED
TO DEVELOP GREATER COMPUTER
AUDIT CAPABILITIES

D I G E S T

With continual technological advances, the use of the computer in business and government has grown. While this has increased productivity levels and satisfied information and program needs, it has not been without a heavy price. The capital and operating costs of computers are significant expenditures. In addition, computers provide access to an ever-increasing amount of an organization's money, property, and other assets; and to information resources, including personal, proprietary, or other sensitive data.

This growing reliance on computers, coupled with increasing cost, requires that Federal managers assure themselves that computers support management goals and objectives, operate efficiently and economically, and encompass adequate controls to prevent errors, fraud, waste, and abuse. Internal auditing is an important management tool to help provide such assurance.

In 1977, GAO reported that at some Federal agencies internal auditing of automatic data processing systems and controls had been inadequate. GAO recommended that all Federal internal audit groups determine the extent to which their agencies' computer activities need auditing and develop or acquire staff with the necessary skills to provide adequate computer audit coverage.

Following up on the 1977 report, GAO found that while some action has been taken, much still needs to be done. Many Federal inspector general and internal audit organizations still do not provide adequate audit coverage to their agencies' computer operations.

GAO conducted this review to evaluate the progress of Federal internal audit organizations in responding to increasing needs and requirements for effective computer auditing. By identifying agencies' problems and shortfalls in developing

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OCTOBER 16, 1981

computer audit capabilities, GAO provides guidance for agencies in establishing proper computer audit coverage and thereby helps prevent computer-related fraud, waste, and abuse.

MANY HAVE NOT RESPONDED
TO COMPUTER AUDIT NEEDS

Some of the 19 Federal audit organizations GAO reviewed cannot be sure they have adequately identified their agencies' computer audit needs as recommended in the 1977 report. GAO found nine organizations that had limited, outdated, or no inventories of their agencies' computer systems to aid in planning audit coverage. (See pp. 7 and 8.)

GAO also found that many organizations have not developed and maintained the skilled staff necessary to meet computer audit responsibilities for their agencies. In particular, six organizations had little or no computer audit capabilities at the time of the review, and others acknowledged that computer audit staff and audit time were not adequate for their needs.

Although GAO found examples of effective computer auditing, insufficient computer audit capabilities generally resulted in only limited compliance with the standards issued by the Comptroller General of the United States for auditing computer-based systems. Twelve of the nineteen organizations visited did not have the computer audit capabilities to comply with the standards at the time of the review. The remaining seven organizations had conducted or scheduled computer audits to meet some objectives of the standards. (See pp. 8 to 10.)

GAO observed the following examples of effective computer audits:

- The General Services Administration suspended development of a computer system when an audit by its Inspector General showed that the proposed system would not meet a major system objective of controlling use, misuse, and abuse of interagency motor pool credit purchases. (See p. 12.)
- The Department of the Army significantly reduced the number of computer terminals planned for a \$100 million project because the Army

Audit Agency reported that the projected work for computer terminals was overstated. (See p. 12.)

--The Postal Inspection Service recommended uniform manual and computer processing controls for the U.S. Postal Service's redesigned payroll system because of control weaknesses which had resulted in about \$1.75 million in overpayments nationwide. (See p. 12.)

Some organizations were hindered in acquiring computer audit staff because of personnel ceiling limitations, Federal hiring restrictions, or even lack of management support for computer auditing. GAO also found that many organizations did not have formal training programs to help develop computer audit skills for existing staff. (See pp. 14 to 16.)

EVALUATION OF COMPUTER-RELATED CONTROLS IS RECEIVING GREATER EMPHASIS

The need for proper computer-related controls has increased. Continuing reports of computer fraud and abuse showing losses of millions of dollars and estimates of hundreds of millions more in losses from undetected computer crime point to weak computer-related control. In addition, Federal legislation and proposed statutes have called for prevention of fraud, waste, and abuse in private companies and Federal agencies by requiring that managers establish and maintain adequate systems of internal control. These systems necessarily include computer-related controls. As a further indication, public accounting firms have increased their consideration of computer-related controls in audit work.

Despite this emphasis, GAO found little overall direction--other than the GAO audit standards--requiring Federal internal audit organizations to specifically evaluate computer-related controls. Such evaluations can help minimize error, fraud, waste, and abuse, but are also necessary if government auditors are to fulfill their professional audit responsibilities. GAO believes the need for Federal agencies to develop their computer audit capabilities is even greater today than it was at the time of the 1977 report.